



March 18, 2009

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Report—City of Compton, California Integrated Waste Management Board Grant Agreements UBG9-03-55 and UBG10-04-248

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audits of the following City of Compton (City) grants:

- Used Oil Block Grant UBG9-03-55 for the period July 1, 2003 to June 30, 2006
- Used Oil Block Grant UBG10-04-248 for the period July 1, 2004 to June 30, 2007

The enclosed report is for your information and use. The City's response to the report findings is incorporated into this final report. In accordance with Finance's policy of increased transparency, this report will be placed on our website.

If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Beliz Chappuie, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Susan Villa, Branch Manager, Administration and Finance Division, California Integrated Waste Management Board
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated Waste Management Board
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated Waste Management Board
Ms. Angela M. Gilliam, Grant Manager, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. George Mendoza, Audit Manager, California Integrated Waste Management Board
Mr. David Hewitt, Assistant City Manager, City of Compton
Mr. Michael Harvey, Project Manager, City of Compton

GRANT AUDIT

City of Compton
Used Oil Block Grants

UBG9-03-55
and UBG10-04-248

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE AUDIT TEAM

Kimberly A. Tarvin, CPA
Manager

Beliz Chappuie, CPA
Supervisor

Staff
Brian Dunham

Final reports are also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

Background

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board's used oil recycling grant program provides funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs. The Board offers two main types of grants under this program: non-competitive and competitive grants. The Used Oil Block Grants (UBG) awarded to the City of Compton (City) are the non-competitive grants that are awarded annually to local governments to support local used oil and oil filter collection programs. The funding for the UBG grants are determined on a per capita basis using the Department of Finance's population statistics.

The Board awarded the City the following grants:

Grant Name	Grant Agreement	Audit Period	Awarded	Claimed
Used Oil Block Grant	UBG9-03-55	7/1/2003 – 6/30/2006	\$29,561	\$27,173
Used Oil Block Grant	UBG10-04-248	7/1/2004 – 6/30/2007	\$25,957	\$ 8,791

Scope

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of the City's Used Oil Block Grants listed above. The objective of the audit was to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations and grant requirements. Examining evidence supporting amounts claimed for grant funds and conducting interviews with key personnel to gain an understanding of the City's internal controls are auditing procedures required by *Government Auditing Standards*, issued by the Comptroller General of the United States. Because the City failed to provide all the requested grant related records, ensure its staff were available for interviews during audit, and became unresponsive to additional requests for information, some audit procedures could not be performed in accordance with *Government Auditing Standards*. See Finding 1 in the Results section of the audit report for specific procedures that could not be performed.

Except for the limitations discussed in the preceding paragraph, we conducted our audit in accordance with *Government Auditing Standards*. We did not assess the efficiency or effectiveness of program operations. The Board is responsible for evaluating the efficiency and effectiveness of the program operations.

Methodology

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations and the grant requirements, we performed the following procedures:

- Examined the grant files
- Reviewed available accounting records related to the grants
- Determined whether a sample of expenditures was:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded

The results of our audit are based upon our limited review of documentation and information made available to us. The audit was conducted from June 2008 through July 2008.

Results

Based on the audit procedures performed, we did not identify any questioned costs. See Appendix A for the Schedule of Claimed and Audited Costs. However, as discussed below, the City became unresponsive to our requests for information, which caused a scope limitation for the audit.

FINDING 1: The City Did Not Provide Required Access to Staff and Documentation for the UBG9-03-0055 and UBG10-04-0248 Grants Resulting in an Audit Scope Limitation

The City only provided partial records and documentation, and became unresponsive to requests for additional information and interviews. Due to the lack of required information provided by the City, the following essential audit procedures could not be performed:

- Obtaining an understanding of the City's accounting system and internal controls.
- Determining whether separate funds were maintained for each program.
- Determining whether the general ledger reconciled with amounts claimed.
- Verification that the grant funds were properly received by the City and whether the interest income reported on the advanced funds was correctly calculated and reported.

The grant agreement audit requirements require the City to allow designated representatives access to any records and supporting documentation pertaining to the performance of the grant activities and to interview any City

employee who might have information related to such records. Noncompliance with audit requirements or grant terms may result in the loss of future grants from the Board.

Recommendation: The Board should not award additional grants to the City until they fully meet the grant agreement requirements.

This report is intended for the information and use of the City and the Board and is not intended to be and should be used by anyone other than the specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX A

Schedule of Claimed and Audited Costs Grant Agreement UBG9-03-55 For the Period July 1, 2003 through June 30, 2006

Description	Awarded	Claimed	Audited ¹	Questioned
Revenues:				
State Grant	\$29,561	\$27,156	\$27,156	\$ 0
Interest	<u>0</u>	<u>17</u>	<u>17</u>	<u>0</u>
Total Revenues	29,561	27,173	27,173	0
Expenditures:				
Permanent Collection Facility	2,000	0	0	0
Temporary/Mobile Collection	1,000	0	0	0
Residential Collection	8,000	15,470	15,470	0
Publicity and Education	12,061	11,703	11,703	0
Stormwater Mitigation Program	1,000	0	0	0
Personnel/Other	<u>5,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$29,561	\$27,173	\$27,173	\$ 0

¹ Some audit procedures could not be performed as indicated in Finding 1 of the results section. However, we were able to verify that the expenditures claimed were incurred and paid within the grant period.

Schedule of Claimed and Audited Costs
Grant Agreement UBG10-04-248
For the Period July 1, 2004 through June 30, 2007

Description	Awarded	Claimed	Audited ²	Questioned
Revenues:				
State Grant	<u>\$25,957</u>	<u>\$8,791</u>	<u>\$8,791</u>	\$ 0
Total Revenues	25,957	8,791	8,791	0
Expenditures:				
Permanent Collection Facility	2,596	450	450	0
Temporary/Mobile Collection	7,787	0	0	0
Residential Collection	5,191	5,395	5,395	0
Publicity and Education	7,787	2,696	2,696	0
Personnel/Other	<u>2,596</u>	<u>250</u>	<u>250</u>	<u>0</u>
Total Expenditures	\$25,957	\$8,791	\$8,791	\$ 0

² Some audit procedures could not be performed as indicated in Finding 1 of the results section. In addition, subsequent to performance of our audit procedures, the claimed amount was revised from \$3,629 to \$8,791. However, we tested a sample of expenditures from the originally claimed amounts to verify that the expenditures were incurred and paid within the grant period. Furthermore, this grant was budgeted for \$25,957, but only \$8,791 was claimed by the end of the grant period.



City of Compton

OFFICE OF THE CITY MANAGER

(310) 605-5585
Fax (310) 605-6250

CHARLES EVANS
City Manager

February 18, 2009

Department of Finance
Office of State Audits and Evaluations
300 Capital Mall, Suite 801
Sacramento, CA 95814

RE: City of Compton Response to Draft Report for the California Integrated Waste
Management Board Used Oil Grant UBG9-03-55 and UBG 10-04-248

The City of Compton has received and reviewed the draft report on our used oil grants for cycle 9 & 10. After reviewing the information it was determined that our staff failed to complete all the necessary information required by the auditor. We understand the importance of having full disclosure for the State Auditor for the grant.

We have taken the necessary steps to correct this action and have put in place the procedures to comply with all future requirements. Enclosed you will find the completed audit questionnaire.

Thank you very much for bringing this matter to our attention; in the future we make sure that we meet all the deadlines and make all necessary corrections in a timely manner.

If I can be of further assistance, please feel free to contact me at 310-605-5585. If you have further questions about the grant in question please contact Michael Harvey at 310-605-5539.

Again thank you for your patience and understanding.

Original signed by:

~~CHARLES EVANS~~
CITY MANAGER

.cc Michael Harvey



COMPTON CITY HALL

205 South Willowbrook Avenue Compton, California 90220